Applicant thanks the Examiner for his thorough consideration of a large application. The claims are rejected under § 102 and § 103, under various combinations of an article by Nancy Little,[1] a book chapter by Galaty, and a prior patent to Weatherly.

The amendments to claims 12 and 28 correct minor informalities, and are neither narrowing nor made in response to any statutory requirement. New claims 102-118 are directed to a new characterization of the same invention claimed in claims 1-102.

## I. Claims 2-27

Paragraph 2 of the Office Action rejects claim 2 under § 102(e)[2] over the Little article. Claim 2 recites as follows:

> 2. A method, comprising the steps of:
> leasing a space from a landlord to a tenant under a space lease;
> leasing improvements to the space to the tenant under an improvement lease distinct from the space lease, the improvements lease being structured together with the space lease to support an accounting conclusion that the space lease and the improvements lease are to be considered together as a single lease and classified as an operating lease.

Claim 2 recites two "distinct" leases. This limitation appears not to be discussed in the Office Action. Without such discussion, no anticipation rejection exists.

Further, there is nothing in Little that is analogous to a "space" and to "improvements" that are subject to two "distinct" leases as recited in claim 2. For example, Little discusses financing for "acquisition, installation, upfit and/or construction" at page 37, col. 2:

> **Reimbursement of Construction Costs**
>
> Typically, the lessee is responsible for the acquisition, installation, upfit and/or construction of the property. The lessee is reimbursed for acquisition, construction, and other costs by the lessor through a disbursement procedure comparable to that used in a traditional lending arrangement. The lessor's

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[1] A copy of the original Little publication is attached as exhibit 2. The Little article will be discussed with reference to the original – it is somewhat easier to pinpoint the relevant discussion, without tedious counting of lines.

[2] Applicant notes that the Little article is not a patent document, thus § 102(e) is inapplicable. Further, the publication date is only three months before the filing date of the provisional application parent of this application, thus § 102(b) is inapplicable. To the degree that Little is prior art at all, it is can only be under § 102(a).

> advances to the lessee are funded through a combination of equity investments and loans obtained by the lessor.

Little states that the "lessee" is "reimbursed" for construction costs – the only flow of funds between lessor and lessee mentioned by Little in this section is a flow from the lessor to the lessee. However, the hallmark of an "improvements lease," as recited in claim 2, is a stream of periodic payments from the lessee to the lessor in return for the right to use the "improvements." Because Little does not discuss a stream of payments from lessee to lessor for "acquisition, installation, upfit and/or construction" (or for anything else that could be characterized as an "improvement"), there can be no lease, and thus no anticipation.

Thus, claim 2 distinguishes Little, and is patentable over that reference.

Dependent claims 2-27 are allowable for the same reasons discussed above with respect to independent claim 2 from which they depend. These claims also recite additional patentable features.

**II. Claims 1, 28-30, 60-73 and 102-118**

Claims 1 and 60 are rejected over the Little article at pages 2 and 19-20, respectively, of the Office Action. Claim 28 is rejected over the combination of Little and Weatherly at page 35-36 of the Action. Claims 102-118 are added by amendment.

Independent claims 1, 28, 60 and 102 each recite two "separate" leases or two "distinct" leases, and are therefore patentable for reasons similar to those discussed above in connection with claim 2. The Office Action does not suggest that Weatherly teaches anything relating to this claim language. Applicant has briefly reviewed Weatherly, and it appears that Weatherly is silent on this issue.

MPEP § 2143.03 instructs that there can never be obviousness when an element of a claim is absent from the prior art. None of the sections of Little indicated in connection with these claims (page 35, corresponding to page 1, lines 28-33 of the print-out version; page 36, "What are the Benefits?" corresponding to page 1, lines 42-47; and page 44, "Other Documentation," corresponding to page 7, lines 33-34) discusses a separate lease of a second asset.

Dependent claims 29-30, 61-73 and 103-118 are allowable with the independent claims discussed above.

## III. Claims 31-52

Claim 31 is rejected over the Little article at page 5 of the Office Action. Claim 31 recites as follows:

> 31. A method, comprising the steps of:
>
> leasing a space to a tenant; and
>
> leasing improvements to the space from a special purpose entity to the tenant, a landlord of the space being the owner of, or lessor of the tenant improvements to, the special purpose entity under tax accounting rules, financial statements of the special purpose entity being consolidated with financial statements of the landlord, rental payments under the improvements lease being fully tax deductible to the tenant.

Claim 31 recites a special purpose entity (SPE) that is the lessor of the improvements. Again, the Office Action appears to be silent on this claim limitation, and thus no rejection has been raised.

Further, in claim 31, the SPE is owned by the space landlord (or the improvements are leased to the SPE by the space landlord). In contrast, Little's SPE is "controlled by the lessee" (Little, page 42, col. 2, line 4). In some cases, Little dispenses with the SPE altogether, and the leased property is owned by "third party lessors or entities such as a leasing affiliate of a bank" (page 42, col. 2, lines 12-13).

Thus, claim 31 is not anticipated by Little. Dependent claims 32-52 are patentable therewith, and recite further patentable features.

## IV. Claims 1, 53-55, 56-59, 74-92 and 93-101

Independent claims 1, 56, 74 and 93 are rejected over the Little article at pages 2-3, 18, 5-6 and 6, respectively, of the Office Action. Independent claim 53 is rejected over the combination of Little and Weatherly at pages 37-38.

Claims 1, 53, 56, 74 and 93 recite a SPE owned by the landlord or lessor, similar to the SPE discussed above in connection with claim 31. The Office Action does not suggest that Weatherly teaches anything relating to this claim limitation, and Applicant's brief review of Weatherly does not disclose any such teaching. These claims are thus patentable for similar reasons. Dependent claims 54-55, 57-59, 75-92 and 94-101 are patentable therewith.

## V. Obviousness

The obviousness rejections of claims 11-27, 32-35, 38-52, 57-66, 68-73, 77-80, 82-92 and 94-101 all take Official Notice of some fact, and then argue that it would have been obvious to combine that fact with one or two references because the combination is desirable. Similarly, the obviousness rejections of claims 8-10, 37, 67, 75, 76, 81 state only that certain facts were known bit by bit in two or more prior art references, but these rejections make no showing of "motivation to combine" those references.

This analysis differs from the analysis outlined at MPEP § 2142-2144.09, and is thus impermissible. In particular, MPEP § 2143.01 cautions that "motivation to combine" must be shown from the prior art. Any recognition of what would be desirable that arises during examination, by definition, comes into being only long after an applicant's filing date. As such, it is not prior art – it is impermissible "hindsight," and not proper "motivation to combine."

If any obviousness rejection is raised in any future Office Action, Applicant requests that the particular "motivation to combine" relied upon in that future Action be supported with either a reference or an affidavit, as required by 37 C.F.R. § 1.104(d)(2). If such "motivation to combine" cannot be supported from the prior art, Applicant would welcome an indication of allowance.

Further, the use of Official Notice in this Action appears to have exceeded permissible bounds. As only one example, Applicant is unaware that a "special purpose entity [owned by the landlord and] owning improvements for lease to a corresponding tenant," as recited in claim 14, is "capable of instant and unquestionable recognition as being 'well-known' in the art" as required by MPEP § 2144.03. Official Notice of "equity and/or debt investments by the landlord in a plurality of [such SPE's] ... [that] are cross-collateralized," as stated in the Office Action (page 7), would appear to be unwarranted. Pursuant to MPEP § 2144.03 and 37 C.F.R. § 1.104(d)(2), Applicant traverses any future reliance on Official Notice, requests a reference for each and every claim limitation, and requests a showing of motivation to combine that reference with any other references. In absence of such a reference, an indication of allowance would be welcomed.

In view of these remarks, Applicant respectfully submits that the claims are in condition for allowance. Applicant requests that the application be passed to issue in due course. The

Examiner is urged to telephone Applicant's undersigned counsel at the number noted below if it will advance the prosecution of this application, or with any suggestion to resolve any condition that would impede allowance. Kindly charge any additional fee, or credit any surplus, to Deposit Account 50-0675, Order No. 57634.3.

Respectfully submitted,

SCHULTE ROTH & ZABEL

Dated: June 17, 2002

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**MARKUP COPY OF AMENDED CLAIMS**

12. (amended) The method of claim 8:

wherein a building in which the space is located is encumbered by a mortgage; [and]

and further comprising the step of, entry by the lender to the special purpose entity and a mortgagee of the mortgage into an inter-creditor agreement, each waiving any interest in the other's collateral.

28. (amended) A computer, programmed:

to solicit proposals from tenants for financing for tenant improvements to spaces leased by the respective tenants under respective space leases, each proposal offering terms for lease of tenant improvements to the corresponding space under an improvements lease distinct from the corresponding space lease, each improvements lease to be structured together with the corresponding space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease; and

to solicit offers of financing from lenders to the tenants' proposals, and notify the respective tenant and lender when an offer matches a proposal.

Kindly add the following new claims.

102. (new) A method, comprising the steps of:

improving a space, financing for the improvements being provided by an entity other than a tenant of the space, financing for the tenant improvements being obtained at the tenant's cost of funds;

leasing the space from a landlord to the tenant under a space lease; and

leasing the improvements to the tenant under an improvements lease distinct from the space lease.

103. (new) The method of claim 102, wherein:

the improvements are leased from a special purpose entity, the landlord of the space being the owner of, or lessor of the tenant improvements to, the special purpose entity under tax accounting, financial statements of the special purpose entity being consolidated with financial statements of the landlord.

104. (new) The method of claim 102, wherein:

rent payments under the improvements lease are fully tax deductible to the tenant.

105. (new) The method of claim 103, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements.

106. (new) The method of claim 105, wherein the debt is secured by a rent obligation of the tenant under a lease of the improvements.

107. (new) The method of claim 103, wherein:

the special purpose entity is capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the improvements.

108. (new) The method of claim 103, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

109. (new) The method of claim 108, wherein

a majority of the loan to the special purpose entity is supplied by a party other than the landlord, and the landlord owns a participation in the loan made to the special purpose entity.

110. (new) The method of claim 108:

wherein a building in which the space is located is encumbered by a mortgage;

and further comprising the step of, entry by the lender to the special purpose entity and a mortgagee of the mortgage into an inter-creditor agreement, each waiving any interest in the other's collateral.

111. (new) The method of claim 103, wherein the improvements have been constructed and are owned by the landlord, the tenant or jointly by landlord and tenant;

and further comprising the step of conveying or leasing the improvements to the special purpose entity before or concurrently with entry into the improvements lease.

112. (new) The method of claim 103, wherein

the improvements being financed by debt issued by the special purpose entity, the debt being secured at least in part by a lien on the improvements.

113. (new) The method of claim 103, wherein

upon an event of default under the improvements lease, the tenant assumes an obligation to purchase the improvements from the special purpose entity for a stipulated amount.

114. (new) The method of claim 102, wherein:

the improvements lease is structured together with the space lease to support an accounting conclusion that the improvements lease is to be classified as an operating lease.

115. (new) The method of claim 102, wherein:

rent payments under the improvements lease have a present value at least equal to a value of the improvements at a time of commencement of the improvements lease.

116. (new) The method of claim 102, the improvements being off-balance-sheet for the tenant.

117. (new) The method of claim 102, further comprising the step of:

entry by the tenant into an obligation to construct the improvements and to assume costs associated with the construction.

118. (new) The method of claim 102, wherein

rent payments under the improvements lease are secured, in full or in part, by a personal or corporate guaranty or by a letter of credit of the tenant.